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## Livestock and Products

## Annual

## 2002

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### Report Highlights:

Post forecasts an eight percent increase in cattle slaughter for CY 2003 to 9.7 million head, the highest slaughter figure since 1978. Beef production for CY 2003 is forecast to rise seven percent to 2,050 TMT. Exports of beef & veal for CY 2003 are forecast by post to increase by over 12 percent to a record 1,600 TMT, driven by an increased slaughter and an improved outlook for exports. Sheepmeat production for CY 2003 is forecast to increase by nearly three percent to 688,000 MT. Post forecasts pig meat production to remain unchanged in CY 2003.

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Includes PSD changes: Yes

Includes Trade Matrix: No

Annual Report

Canberra [AS1], AS

Executive Summary .....	2
Animal Numbers, Cattle .....	3
Production .....	3
General .....	3
Slaughter Rate .....	5
Forage and Feed Supplies .....	5
Pasture Conditions .....	5
Cross Commodity Developments .....	5
Consumption .....	6
Prices .....	6
Trade .....	7
General .....	7
Policy .....	7
Production and Consumption Policy .....	7
Meat, Beef and Veal .....	9
Production .....	9
General .....	9
Consumption .....	10
General .....	10
Prices .....	10
Price Table .....	11
Trade .....	11
Overall Trade Trends .....	11
Marketing .....	12
Competitive Activities .....	12
Animal Numbers, Sheep .....	13
Production .....	13
Inventory .....	13
Cross Commodity Developments .....	15
Consumption .....	15
Prices .....	15
Trade .....	16
Overall Trade Trends .....	16
Meat, Lamb, Mutton and Goat .....	17
Production .....	17
General .....	17
Consumption .....	18
General .....	18
Price Table .....	18
Trade .....	19
Overall Trade Trends .....	19
Marketing .....	19
General .....	19

Animal Numbers, Swine .....	20
Production .....	20
General .....	20
General .....	21
Consumption .....	22
Price Table .....	22
Utilization .....	22
Trade .....	22
General .....	22
Poultry, Meat, Total .....	24
Production .....	24
General .....	24
Consumption .....	25
General .....	25
Poultry, Meat, Chicken - 16 wks .....	26

## **Executive Summary**

The total Australian cattle herd stands at 28.8 million head for CY 2001, in line with official ABS statistics. Post estimates total herd numbers to increase three percent in CY 2002 to 29.7 million head, in line with MLA estimates. Post forecasts a further increase of only one percent in CY 2003 to just under 30.0 million head, well under MLA's forecast three percent increase to 30.6 million head. Both post and MLA forecasts for total inventory in CY 2003, if realized, would be the largest inventory since 1977/78 according to ABARE statistics.

Post estimates cattle slaughter for CY 2002 will increase by four percent to just under nine million head, the largest kill since the famous drought of 1982. This forecast comes despite falls in year-to-date slaughter figures. Post anticipates that slaughter will increase significantly for the remainder of CY 2002 and remain high into CY 2003. Post forecasts an eight percent increase in cattle slaughter for CY 2003 to 9.7 million head, the highest slaughter figure since 1978.

Despite estimated slaughter increasing by four percent in CY 2002 to just under nine million head, beef production is estimated to increase only slightly to 2,100 TMT, due to significantly lower carcass weights. Post forecasts beef production for CY 2003 to rise seven percent to 2,050 TMT, driven by an eight percent increase in slaughter.

Total exports of beef and veal for CY 2002 are forecast by post to increase slightly to 1,420 TMT reflecting increased slaughter. Exports for CY 2003 are forecast by post to increase by over 12 percent to a record 1,600 TMT, driven by an increased slaughter and an improved outlook for exports.

Post estimates that sheep numbers are not yet at the bottom of the downward cycle and will decrease around three percent to 116.3 million head in CY 2002. Post forecasts sheep numbers to fall a further three percent in CY 2003 to 112.8 million. This forecast is consistent with MLA, which reports the same trend with slightly lower numbers.

Total sheep meat production is estimated by post to decrease slightly during CY 2002 to 670,000 MT due to reduced slaughter and slightly lower carcass weights. Sheepmeat production for CY 2003 is forecast to increase by nearly 3 percent to 688,000 MT, despite the forecast fall in slaughter. Post anticipates that a return to more normal weather conditions will increase slaughter weights, more than compensating for reduced slaughter.

Post estimates pig meat production to increase five percent to 398,000 MT in CY 2002. Post forecasts pig meat production to remain unchanged in CY 2003. This trend is consistent with ABARE's forecast. However post advises that if drought conditions continue, higher feedgrain prices could trigger increased slaughter in the second half of CY 2002 and into CY 2003, effectively increasing production beyond posts estimates.

Post estimates pig meat exports for CY 2002 to increase 20 percent to 79,000 MT and forecasts a further increase of five percent in CY 2003 reaching 83,000 MT.

Post puts poultry production for FY 2000/01 at 627 TMT, in line with official ABS statistics. Post estimates production to increase 10 percent in FY 2001/02 to 689 TMT in line with ABS year to date data.

## Animal Numbers, Cattle

PSD Table						
Country	Australia					
Commodity	Animal Numbers, Cattle				(1000 HEAD)	
	Revised	2001	Preliminary	2002	Forecast	2003
	Old	New	Old	New	Old	New
Market Year Begin		01/2001		01/2002		01/2003
Total Cattle Beg. Stks	28300	28800	29200	29700	30000	29952
Dairy Cows Beg. Stocks	2281	2281	2388	2392	0	2494
Beef Cows Beg. Stocks	13054	13200	13200	13600	0	13600
Production (Calf Crop)	10550	10396	10680	10107	0	11262
Intra EC Imports	0	0	0	0	0	0
Other Imports	0	0	0	0	0	0
TOTAL Imports	0	0	0	0	0	0
TOTAL SUPPLY	38850	39196	39880	39807	30000	41214
Intra EC Exports	0	0	0	0	0	0
Other Exports	861	823	870	830	0	900
TOTAL Exports	861	823	870	830	0	900
Cow Slaughter	3500	3693	3400	3700	0	3500
Calf Slaughter	1111	956	1268	975	0	1000
Other Slaughter	4128	3974	4292	4300	0	5164
Total Slaughter	8739	8623	8960	8975	0	9664
Loss	50	50	50	50	0	50
Ending Inventories	29200	29700	30000	29952	0	30600
TOTAL DISTRIBUTION	38850	39196	39880	39807	0	41214
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0

## Production

### General

The total Australian herd stands at 28.8 million head for CY 2001, in line with official ABS statistics. Post estimates total herd numbers to increase three percent in CY 2002 to 29.7 million head, in line with MLA estimates. Post forecasts a further increase of only one percent in CY 2003 to just under 30.0 million head, well under MLA's forecast three percent increase to 30.6 million head. Both post and MLA forecasts for total inventory in CY 2003, if realized, would be the largest inventory since 1977/78 according to ABARE statistics.



Economic conditions in Australia are currently still conducive to herd rebuilding and analysts widely acknowledge that Australia is currently in a herd rebuilding phase in the cattle cycle. However, at the time of this report, Australian livestock industries are suffering from widespread drought conditions with the worst affected states being NSW and Queensland. Those areas account for over two thirds of Australia's beef cattle inventory. Although post assumes a return to normal weather conditions, the continuation of drought conditions (particularly in NSW and QLD) could constrain any increase in total inventory, and at worst could cause inventories to fall, effectively reversing the herd rebuilding trend.

If climatic condition return to normal in the short term, the depletion of pasture and fodder reserves to date is likely to provide a medium term constraint on herd rebuilding. Hence post's more conservative forecast for increased inventories in CY 2003.

MLA projections are for the national herd to continue increasing beyond CY 2003 out to 2006, at an average annual rate of around one percent. The projected herd number for CY 2006 is 31.0 million head. Conversely, ABARE's long term projections have the total herd number reaching 30.6 million head in 2003/04 before falling steadily to 28.3 million head by 2006/07.

Herd rebuilding is primarily driven by cattle prices, export demand and pasture and feed availability. Despite recent declines, prices for cattle are relatively high considering current drought conditions and are the driving factor behind herd expansion in Australia. However, expansion has been partially constrained by drought conditions in nearly all states. If the drought continues, lower levels of pasture combined with higher than average median temperatures will encourage the worst affected producers to slaughter female stock otherwise suitable for breeding.

The Australian Lot Feeders Association (ALFA), in its National Feedlot Survey, put numbers of cattle on feed for the March quarter 2002 at 654,181. This is slightly higher than the record 652,998 head recorded for the same period in the previous year, and nearly three percent higher than the previous quarter. According to the ALFA survey, the total number of cattle turned off from feedlots in Australia for CY 2001 was 2,016,057, an increase of around seven percent on the previous year. Total utilization of feedlot capacity in the March quarter of 2002 is estimated by ALFA at around 74 percent.

The ALFA survey report puts cattle on feed currently destined for the Japanese market at 49.8 percent for the March quarter 2002, compared with 53.9 percent for the corresponding quarter of CY 2001. Cattle on feed for the domestic market for the same period was put at 42.0 percent almost unchanged from the previous year, while cattle on feed destined for Korea and other export markets increased. Industry reports suggest that there has been a recent increase in feedlot activity driven by drier conditions across much of the Australian continent. However, this has been constrained by the decreased availability of feed grain and the high prices feedgrain is currently commanding.

## **Slaughter Rate**

The slaughter figure for CY 2002 is estimated at around 8.98 million head, four percent higher than the previous year and in line with MLA figures. The increase in estimated slaughter comes despite the CY 2002 year-to-date figures showing a four percent decrease compared with the same period for the previous year. Current widespread drought conditions are expected to significantly increase slaughter levels in the second half of CY 2002, increasing the overall slaughter.

Post forecasts slaughter for CY 2003 to increase by just under eight percent to 9.66 million head, in line with MLA's forecast. Post anticipates a higher slaughter rate for the second half of CY 2002 will carry over into CY 2003, significantly increasing overall slaughter.

## **Forage and Feed Supplies**

The 2001/02 cropping season was characterized by relatively large coarse grain and wheat crops. This followed large crops during previous seasons. However Queensland, Northern NSW and WA experienced significantly reduced yields due to drier than average conditions.

The 2002/03 cropping year has suffered from below average rainfall and above average median temperatures. Drought in WA, NSW and Queensland is significantly affecting crop production in these states. These factors are likely to significantly reduce grain production in Australia for 2002/03, assuming normal weather conditions for the remainder of the season.

## **Pasture Conditions**

Pasture conditions across much of Australia for the three years preceding CY 2002 are considered by post to have been average to above average with the exception of some areas of Queensland. Anecdotal evidence suggests that fodder reserves were high at the beginning of CY 2002. However with CY 2002 to date experiencing below average rainfall for much of eastern Australia and WA, pasture conditions for Australia as a whole are expected to range from average to well below average.

An interesting point to note is that media reports have suggested that some farmers have begun abandoning some cereal crops which are now being used as fodder for livestock. There is currently no official data concerning this. However if this trend is realized, it will allow some livestock to be finished for slaughter.

## **Cross Commodity Developments**

The outlook for the wool and grain industries affects future beef production. Returns for wool producers have been low for over a decade. However, wool prices are estimated by ABARE to have increased over 21 percent (eastern market indicator) for 2000/01 and a further 10 percent in 2001/02 to 840c/kg. These prices are at the highest levels since 1988/99. But despite recent price increases, there has been no significant shift in farm resources away from cropping or beef cattle production toward wool production.

ABARE has forecast wool prices easing nearly five percent in 2002/03 to 800 c/kg. Post does not anticipate any



wholesale switching from beef to wool production in the foreseeable future.

## Consumption

### Prices

Prices Table			
Country	Australia		
Commodity	Animal Numbers, Cattle		
Prices in	Aus cents	per uom	KG
Year	2001	2002	% Change
Jan	252	297	17.86%
Feb	267	294	10.11%
Mar	281	305	8.54%
Apr	298	285	-4.36%
May	295	253	-14.24%
Jun	294	234	-20.41%
Jul	305		-100.00%
Aug	337		-100.00%
Sep	363		-100.00%
Oct	322		-100.00%
Nov	342		-100.00%
Dec	330		-100.00%
Exchange Rate	1.809	Local currency/US \$	

Source: ABARE

According to information provided by ABARE, saleyard prices during June 2002 were at Ac234/kg, 20 percent lower than for the same period in the previous year. This reflects slightly weaker export demand, decreased interest from restockers due to drier than average conditions and a higher supply due to drought induced turn-off in some regions. ABARE forecasts average annual saleyard prices for 2002/03 at 243c/kg. This represents a decrease of 20 percent on the previous years record average price of 305c/kg.

Tight grain supplies and resulting high prices during 2001/02 were unfavorable for lotfeeders. High domestic feed grain prices have renewed calls from intensive livestock industries such as lotfeeders for the importation of feedgrain.

## Trade

### General

Live cattle exports are affected by a number of factors, including political and economic conditions in major markets, exchange rates, cattle prices relative to other markets and availability of suitable cattle for export. The most significant factors affecting live cattle exports for CY 2001 were tight supplies of cattle suitable for export and generally high prices.

According to official ABS statistics, Australia exported 823,272 head of live cattle in CY 2001, eight percent below the previous year. Post believes decreased availability of cattle suitable for live shipment was the main reason for a reduction in exports. Indonesia was by far the largest export market, accounting for 35 percent of all live cattle exports. The Philippines and Egypt were the other two major markets, accounting for 24 and 12 percent of total exports respectively. These top three markets accounted for 71 percent of total exports.

Post estimates Australian live cattle exports to remain relatively flat for CY 2002, with year-to-date figures showing a slight decrease. However, post expects exports to rebound in CY 2003, with shipments expected to rise eight percent to 900,000 head. MLA reports that generally lower cattle prices expected for the remainder of CY 2002 will allow live exporters to source more cattle in competition with processors.

## Policy

### Production and Consumption Policy

In May 2002, the Minister for Agriculture Fisheries and Forestry, announced that the Federal Government would introduce management controls for the export of beef to the United States for CY 2002. Traditionally, this was unnecessary as Australia had never before reached the quota limit (currently 378,214 MT). However, in CY 2001, Australia for the first time filled its quota before the end of the year due to decreased export performance in Japan driven by the outbreak of BSE, and an increase in export performance to the US driven by a weakened Australian dollar. These market conditions are expected to continue at least until the end of CY 2002.

The export scheme implemented by the government on July 1, 2002 allocated quota to exporters using a formula based on shipments to the US by individual exporters in CY 2001. Under the scheme, these exporters have been allocated 60 percent of their CY 2001 shipments for CY 2002. The balance of the US quota has been allocated to exporters who exported to other markets in CY 2001. A hardship provision of 30,000 MT has been established for exporters who already surpassed their entitlement for CY 2002 before the constraints were introduced.

The introduction of these controls has created much conflict within the beef industry. A Senate committee inquiry reviewed the Minister's decision under pressure from industry critics and resolved to support the plan with the exception of increasing the original hardship provision from 14,000 MT to 30,000 MT. Specialist exporters who dominated the US trade have reacted angrily to losing 40 percent of their quota and have formed an alliance to lobby government for changes to the allocation process.

Widespread drought conditions across much of Australia have sharply reduced Australia's grain production for CY 2002, greatly increasing the costs associated with intensive feeding. At present, quarantine regulations significantly constrain the importation of feed grain into Australia. Recently, media reports have quoted intensive livestock groups calling for a review of these import regulations. No major changes in quarantine regulations for imported grain is expected in the immediate future.

An investigation is currently being undertaken by the Australian Maritime Safety Authority, AQIS and Livecorp concerning a particular shipment of live cattle from South Australia to the Arabian Gulf in August which suffered considerable losses. Media coverage at the time suggested the cause of the deaths was undue heat stress caused by exporting live cattle from southern Australia during Australia's winter and the Middle East's summer. Pending the results of this investigation, industry has adopted a moratorium on live exports of cattle sourced below the 26<sup>th</sup> parallel (SA/NT border) to the Gulf of Arabia before November 1.

On August 13, 2002, The Sydney Futures Exchange began listing cattle futures contracts. These contracts are designed to provide an effective hedging mechanism for beef producers, lotfeeders, processors and retailers. For more information see [www.cattlefutures.com.au](http://www.cattlefutures.com.au)

In response to BSE outbreaks in Europe in 1997, the Government of Australia banned the feeding of mammal products to ruminants, with some exemptions. However, in February 2002 this ban was extended to include meals from all mammals and feedmeals from fish and poultry as well as blood meal.

## Meat, Beef and Veal

PSD Table						
Country	Australia					
Commodity	Meat, Beef and Veal			(1000 MT CWE)(1000 HEAD)		
	Revised	2001	Preliminary	2002	Forecast	2003
	Old	New	Old	New	Old	New
Market Year Begin		01/2001		01/2002		01/2003
Slaughter (Reference)	8739	8623	8960	8975	0	9664
Beginning Stocks	21	36	20	38	20	59
Production	2034	2052	2070	2100	0	2250
Intra EC Imports	0	0	0	0	0	0
Other Imports	5	1	5	1	0	1
TOTAL Imports	5	1	5	1	0	1
TOTAL SUPPLY	2060	2089	2095	2139	20	2310
Intra EC Exports	0	0	0	0	0	0
Other Exports	1395	1391	1425	1420	0	1600
TOTAL Exports	1395	1391	1425	1420	0	1600
Human Dom. Consumption	645	660	650	660	0	660
Other Use, Losses	0	0	0	0	0	0
TOTAL Dom. Consumption	645	660	650	660	0	660
Ending Stocks	20	38	20	59	0	50
TOTAL DISTRIBUTION	2060	2089	2095	2139	0	2310
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0
Calendar Yr. Exp. to U.S.	541	541	541	541	0	0

(NB. Conversion factor for CWE - 1.43)

## Production

### General

The Australian cattle herd is now regarded as being in the rebuilding phase of the production cycle, hence post has forecast an increase in total inventory for CY 2003. However drought conditions in CY 2002 has partially constrained herd rebuilding. Furthermore, if drought conditions continue into CY 2003, some cattle otherwise fit for breeding could be slaughtered, effectively reducing total inventory. Post assumes average weather conditions for the remainder of CY 2002 and into CY 2003.

Post estimates slaughter for CY 2002 will increase by four percent to just under nine million head, the largest kill since the famous drought of 1982. This forecast comes despite falls in year-to-date slaughter figures. Post anticipates that slaughter will increase significantly for the remainder of CY 2002 and remain high into CY 2003. Post forecasts an

eight percent increase in slaughter for CY 2003 to 9.7 million head, the highest slaughter figure since 1978. This forecast is in line with both MLA and ABARE forecasts and is driven by larger inventories, improvements in export performance and the follow-on effects of prolonged drought conditions.

Despite estimated slaughter increasing by four percent in CY 2002 to just under nine million head, production is estimated to increase only slightly to 2,100 TMT, due to significantly lower carcass weights. Post forecasts production for CY 2003 to rise seven percent to 2,050 TMT, driven by an eight percent increase in slaughter.

## **Consumption**

### **General**

ABARE estimates place per capita consumption of beef and veal at 35.4 kg/person in 2001/02. Consumption is forecast to increase four percent to 37.6 kg/person in 2002/03.

### **Prices**

Beef and veal retail prices for the second quarter of CY 2002 show an increase of around 19 percent, according to quarterly retail prices provided by ABARE.

**Price Table**

Prices Table			
Country	Australia		
Commodity	Meat, Beef and Veal		
Prices in	Aus cents	per uom	KG
Year	2001	2002	% Change
Jan	1114.2	1328.2	19.21%
Feb	1114.2	1328.2	19.21%
Mar	1114.2	1328.2	19.21%
Apr	1214.2	1339.6	10.33%
May	1214.2	1339.6	10.33%
Jun	1214.2	1339.6	10.33%
Jul	1253.8		-100.00%
Aug	1253.8		-100.00%
Sep	1253.8		-100.00%
Oct	1322.6		-100.00%
Nov	1322.6		-100.00%
Dec	1322.6		-100.00%
Exchange Rate	1.809	Local currency/US \$	

Source: ABARE

**Trade****Overall Trade Trends**

Total exports of beef and veal for CY 2002 are forecast by post to increase slightly to 1,420 TMT reflecting increased slaughter. However, according to official ABS figures for the period January to June 2002, exports decreased by nine percent. Decreased exports for the first half of CY 2002 are expected to be balanced by drier conditions which will boost slaughter in the second half of the year. Exports for CY 2003 are forecast by post to increase by over 12 percent to a record 1,600 TMT, driven by an increased slaughter and an improved outlook for exports.

The US is now Australia's largest beef export market at 400,882 MT in CY 2001 according to official ABS figures, receiving 41 percent of Australia's total exports and just above Australia's quota. This is the highest level of exports to the United States in over a decade. The principle factor driving exports to this destination is the advantageous exchange rate. Post expects that as long as the exchange rate remains at current levels, exports to the US will remain relatively unchanged.

Beef exports to Japan for CY 2001 totaled 320,715 MT, according to official ABS statistics. Japan has traditionally been Australia's largest export market for beef. However, the second half of CY 2001 saw an outbreak of BSE in Japan and subsequent falls in beef consumption in that market. This downturn has carried over into the first half of CY 2002, with exports falling 44 percent when compared to the same period for CY 2001. Post anticipates a steady increase in exports to this market as consumption returns to more normal levels. Industry sources suggest that of late there has been significant rises in shipments to the US.

## **Marketing**

### **Competitive Activities**

Australian Beef is being presented to customers in Korea on the Internet according to an MLA report. Developed by the MLA office in Seoul, the web site provides information to the Korean population on Australian beef. The web site contains information on the safety of Australian beef, Australian production systems and other relevant information. Since its establishment, the most popular page within the site has been the cooking suggestions.



## Animal Numbers, Sheep

PSD Table						
Country	Australia					
Commodity	Animal Numbers, Sheep				(1000 HEAD)	
	Revised	2001	Preliminary	2002	Forecast	2003
	Old	New	Old	New	Old	New
Market Year Begin		01/2001		01/2002		01/2003
TOTAL Beginning Stocks	0	119900	0	116303	0	112814
Ewes, Beginning Stocks	0	55125	0	54022	0	54022
Production (Lamb Crop)	0	43942	0	42207	0	40686
Intra EC Imports	0	0	0	0	0	0
Other Imports	0	0	0	0	0	0
TOTAL Imports	0	0	0	0	0	0
TOTAL SUPPLY	0	163842	0	158510	0	153500
Intra EC Exports	0	0	0	0	0	0
Other Exports	0	6909	0	6300	0	5600
TOTAL Exports	0	6909	0	6300	0	5600
Ewe Slaughter	0	0	0	0	0	0
Lamb Slaughter	0	17910	0	17800	0	18100
Other Slaughter	0	15838	0	14250	0	13200
TOTAL Slaughter	0	33748	0	32050	0	31300
Loss	0	6882	0	7346	0	6600
Ending Inventories	0	116303	0	112814	0	110000
TOTAL DISTRIBUTION	0	163842	0	158510	0	153500
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0

## Production

### Inventory

Since peaking at 170.3 million head in CY 1990, sheep numbers have been in steady decline, reaching an estimated 119.9 million head in CY 2001 according to official ABS estimates. Industry figures, which have not been adjusted to the most recent ABS figure, place the total number of sheep slightly below this figure and continuing to trend downwards for CY 2002 and 2003. Most of the decrease in sheep numbers has occurred in farms that combine sheep and wool production with other enterprises. The decrease in sheep numbers has been especially pronounced in areas that are suitable for cropping. More recently, sheep numbers have declined in areas that specialize in sheep that suffered drought conditions in CY 2001.



Post estimates that sheep numbers are not yet at the bottom of the downward cycle and will decrease around three percent to 116.3 million head in CY 2002. Post forecasts sheep numbers to fall a further three percent in CY 2003 to 112.8 million. This forecast is consistent with MLA, which reports the same trend with slightly lower numbers.

The long term projection as reported by MLA is for sheep numbers to continue falling until CY 2005 and then remaining relatively unchanged in 2006. ABARE projections have numbers reaching the bottom of the cycle around 2001/02 and 2002/03 before climbing slowly out to 2006/07.

Official ABS year-to-date statistics show slaughter numbers for sheep decreased 16 percent and lamb slaughter decreased five percent for the March quarter of CY 2002, compared to the same quarter of the previous year. Post estimates overall slaughter to fall five percent in CY 2002 and forecasts slaughter to fall a further three percent in CY 2003, indicating that total sheep inventory may begin to rise after CY 2003. Post advises that many specialist sheep producing areas suffered drought conditions in CY 2001 and subsequently have already destocked the worst affected areas before the beginning of CY 2002. Post believes that many of these areas have yet to be restocked and therefore will not place any pressure on production due to drought conditions in CY 2002.

The following table demonstrates the recent increases in prices received for wool. (Note: figures quoted are for the July/June financial year).

<b>Year</b>	<b>Market Indicator (1) (A¢/kg clean)</b>	<b>Annual Percentage Increase/(Decrease)</b>
1994/95	788	44
1995/96	619	(21)
1996/97	650	5
1997/98	705	8
1998/99	550	(22)
1999/2000	627	14
2000/01	764	22
2001/02 (s)	840	10
2002/03 (f)	800	(5)

(1) The Eastern Wool Market Indicator (EMI) is a weighted average across the 15 categories, each comprising 11 representative types, which are sold in eastern Australian selling centers. (s) estimate. (f) Forecast.

SOURCE: ABARE. Exchange Rate: A\$1.69/US\$1.00 Average for CY 2000.

## Cross Commodity Developments

Wool prices (eastern market indicator) according to ABARE improved 22 percent in 2000/01 to A\$7.64/kg. ABARE estimates wool prices for 2001/02 increased by another 10 percent to A\$8.40/kg. However, wool prices are forecast to ease by 10 percent in 2002/03 to A\$8.00/kg. Post advises that while local producers have found gains in wool prices over the past two years encouraging, there has been no significant switch in farm resources toward wool production.

The Australian grain industry has suffered a poor start to the 2002/03 production year due to much of Australia's cropping belt suffering drought conditions. These conditions have been balanced by higher global prices, which have encouraged producers to maintain high planted areas despite the prospects of substantially reduced yields.

## Consumption

### Prices

Prices Table			
Country	Australia		
Commodity	Animal Numbers, Sheep		
Prices in	Aus cents	per uom	KG
Year	2001	2002	% Change
Jan	208	311	49.52%
Feb	239	372	55.65%
Mar	242	363	50.00%
Apr	253	337	33.20%
May	231	322	39.39%
Jun	284	329	15.85%
Jul	303		-100.00%
Aug	317		-100.00%
Sep	308		-100.00%
Oct	257		-100.00%
Nov	271		-100.00%
Dec	276		-100.00%
Exchange Rate	1.809	Local currency/US \$	

Source: ABARE

The returns for prime lambs are forecast by ABARE to decrease by 12 percent during 2002/03, reflecting generally drier conditions. This forecast comes despite the current strong export demand.

MLA estimates that lamb production will decrease by six percent during CY 2001 and forecasts a further decrease of four percent during CY 2002. MLA forecasts that total lamb exports will decrease by 5 percent in CY 2001 and a further four percent in CY 2002. This is supported by ABARE forecasts that lamb exports will decrease by around three percent in 2000/01.

According to MLA's long term projections, lamb production will increase by three percent in CY 2003, six percent in CY 2004 and nine percent in CY 2005. Long term projections for lamb exports suggest annual increases of between 6 and 9 percent from CY 2003 to CY 2005. Mutton exports are forecast to continue falling through CY 2005. Saleyard prices for mutton sheep are estimated by ABARE to have increased by around 11 percent during 2000/01. Live export demand is currently high and has been estimated by ABARE to have increased by 21 percent in 2000/01. Although ABARE expects demand to ease in 2001/02, a tight supply of mutton sheep should keep prices high during this time.

## **Trade**

### **Overall Trade Trends**

According to official ABS statistics, live sheep exports for CY 2001 reached 6.9 million head. This represents the highest level of live exports for over a decade. Drier than average conditions in many sheep dominant areas in CY 2001 combined with strong live export demand, encouraged producers to decrease sheep inventories significantly.

Post estimates live sheep exports to decrease around nine percent to 6.3 million head for CY 2002, in line with MLA estimates. Post forecasts live sheep exports to ease by two percent in CY 2003 to 5.6 million head. Live sheep exports have been assisted by drought conditions in Western Australia, strong export demand and the reopening of the Saudi Arabian market after more than a decade of closure. However, industry sources believe that the live export industry is running out of available sheep.

Post forecasts live sheep exports to fall 11 percent to 5.6 million head in CY 2003. Post advises that with sheep inventories forecast to continue falling, the availability of sheep suitable for export will continue to fall. However, if drought conditions persist into CY 2003, live exports could remain at current levels or increase. Post assumes a return to normal weather conditions for CY 2003.

## Meat, Lamb, Mutton and Goat

PSD Table						
Country	Australia					
Commodity	Meat, Lamb, Mutton and Goat		(1000 MT CWE)(1000 HEAD)			
	Revised	2001	Preliminary	2002	Forecast	2003
	Old	New	Old	New	Old	New
Market Year Begin		01/2001		01/2002		01/2003
Slaughter (Reference)	0	33748	0	32050	0	31300
Beginning Stocks	0	8	0	5	0	5
Production	0	679	0	670	0	688
Intra EC Imports	0	0	0	0	0	0
Other Imports	0	0	0	0	0	0
TOTAL Imports	0	0	0	0	0	0
TOTAL SUPPLY	0	687	0	675	0	693
Intra EC Exports	0	0	0	0	0	0
Other Exports	0	453	0	435	0	450
TOTAL Exports	0	453	0	435	0	450
Human Dom. Consumption	0	229	0	235	0	238
Other Use, Losses	0	0	0	0	0	0
TOTAL Dom. Consumption	0	229	0	235	0	238
Ending Stocks	0	5	0	5	0	5
TOTAL DISTRIBUTION	0	687	0	675	0	693
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0
Calendar Yr. Exp. to U.S.	0	75	0	75	0	82

(NB. Conversion factor for CWE = 1.47)

## Production

### General

Official ABS statistics place CY 2001 mutton and lamb production at 679 TMT. Drier conditions in the first half of 2001 increased production significantly. However, the availability of sheep suitable for live export fell quickly in the second half of the year and supply remained tight for the remainder of CY 2001.

Total sheep meat production is estimated by post to decrease slightly during CY 2002 to 670,000 MT due to reduced slaughter and slightly lower carcass weights. Production for CY 2003 is forecast to increase by nearly 3 percent to 688,000 MT, despite the forecast fall in slaughter. Post anticipates that a return to more normal weather conditions will increase slaughter weights, more than compensating for reduced slaughter.

ABARE forecasts lamb production to increase over six percent to 360 TMT in 2002/03 with a return to more normal weather conditions. Mutton production is forecast to continue falling in line with decreased inventory.

## Consumption

### General

In response to the tightening supply of lamb and the continued strong competition from live exports, MLA estimates consumption to remain relatively flat through to CY 2004, at around 11.7 kg/head. ABARE also expects lamb consumption to remain flat during this period.

### Price Table

Prices Table			
Country	Australia		
Commodity	Meat, Lamb, Mutton and Goat		
Prices in	Aus cents	per uom	KG
Year	2001	2002	% Change
Jan	765	962	25.75%
Feb	765	962	25.75%
Mar	765	962	25.75%
Apr	848	1008	18.87%
May	848	1008	18.87%
Jun	848	1008	18.87%
Jul	897		-100.00%
Aug	897		-100.00%
Sep	897		-100.00%
Oct	921		-100.00%
Nov	921		-100.00%
Dec	921		-100.00%
Exchange Rate	1.809	Local currency/US \$	

Source: ABARE



## **Trade**

### **Overall Trade Trends**

Lamb, mutton and goat exports for CY 2001 totaled 453 TMT (CWE) according to official ABS statistics.

The US is now Australia's largest market taking around 20 percent of total sheepmeat exports. Official ABS figures put exports to the US at 75 TMT (CWE). Figures for the period of January to June 2002 show a nine percent decrease compared to the same period for the previous year. Industry sources suggest that while overall slaughter and production are continuing long-term decline, the prime lamb sector which principally supplies the US is growing steadily. Post anticipates that this sector will remain focused on exports to the US and will continue to expand production wherever seasonal conditions allow.

## **Marketing**

### **General**

The Australian Government in 1999 announced an assistance package in response to the US Lamb TRQ. The package includes refunding the equivalent of half of the transaction levy paid on lamb sales for up to two years and the establishment of a Lamb Industry Development Program worth up to A\$3 million per year. This grant-based program is available to individual processors, including boning room operators, and to groups of producers. These initiatives aim to enhance industry performance; improve lamb quality; build demand for lamb; develop infrastructure (including parts of the lamb processing sector), and to encourage on-farm productivity and innovation.

## Animal Numbers, Swine

PSD Table						
Country	Australia					
Commodity	Animal Numbers, Swine				(1000 HEAD)	
	Revised	2001	Preliminary	2002	Forecast	2003
	Old	New	Old	New	Old	New
Market Year Begin		01/2001		01/2002		01/2003
TOTAL Beginning Stocks	2604	2604	2763	2912	2848	2729
Sow Beginning Stocks	305	305	314	314	0	298
Production (Pig Crop)	5174	5481	5300	5300	0	5203
Intra EC Imports	0	0	0	0	0	0
Other Imports	0	0	0	0	0	0
TOTAL Imports	0	0	0	0	0	0
TOTAL SUPPLY	7778	8085	8063	8212	2848	7932
Intra EC Exports	0	0	0	0	0	0
Other Exports	2	2	1	2	0	2
TOTAL Exports	2	2	1	2	0	2
Sow Slaughter	0	0	0	0	0	0
OTHER SLAUGHTER	5013	5171	5214	5481	0	5480
Total Slaughter	5013	5171	5214	5481	0	5480
Loss	0	0	0	0	0	0
Ending Inventories	2763	2912	2848	2729	0	2450
TOTAL DISTRIBUTION	7778	8085	8063	8212	0	7932
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0

## Production

### General

The Australian pig industry has undergone significant restructuring in recent years. The number of pork producers has decreased from just under 40,000 in 1970 to around 2,500 in CY 2001, according to the Australian Pork Corporation (APC). Post estimates sow numbers to have increased three percent to 314,000 head in CY 2002. Higher saleyard prices together with increased availability of feedgrain encouraged producers to hold back stock from slaughter in CY 2001 for breeding in CY 2002.

Post forecasts sow numbers to decrease by five percent in CY 2003 to 298,000 MT. Current drought conditions have greatly reduced availability of feedgrain and dramatically increased the cost of feeding pigs. Furthermore, ABARE has forecast a decrease in saleyard prices for pigs. Post believes these conditions will cause sow numbers to contract

in CY 2003.

## Meat, Swine

PSD Table						
Country	Australia					
Commodity	Meat, Swine			(1000 MT CWE)(1000 HEAD)		
	Revised	2001	Preliminary	2002	Forecast	2003
	Old	New	Old	New	Old	New
Market Year Begin		01/2001		01/2002		01/2003
Slaughter (Reference)	5013	5171	5214	5300	0	5200
Beginning Stocks	11	11	1	1	1	1
Production	365	379	380	398	0	398
Intra EC Imports	0	0	0	0	0	0
Other Imports	40	38	43	31	0	35
TOTAL Imports	40	38	43	31	0	35
TOTAL SUPPLY	416	428	424	430	1	434
Intra EC Exports	0	0	0	0	0	0
Other Exports	66	66	73	79	0	83
TOTAL Exports	66	66	73	79	0	83
Human Dom. Consumption	349	361	350	350	0	350
Other Use, Losses	0	0	0	0	0	0
TOTAL Dom. Consumption	349	361	350	350	0	350
Ending Stocks	1	1	1	1	0	1
TOTAL DISTRIBUTION	416	428	424	430	0	434
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0

(NB. Conversion factor for CWE = 1.25)

## Production

### General

Post estimates pig meat production to increase five percent to 398,000 MT in CY 2002. Post forecasts pig meat production to remain unchanged in CY 2003. This trend is consistent with ABARE's forecast. However, if drought conditions continue, higher feedgrain prices could trigger increased slaughter in the second half of CY 2002 and into CY 2003, effectively increasing production beyond current post estimates.

## Consumption

### Price Table

Prices Table			
Country	Australia		
Commodity	Meat, Swine		
Prices in	Aus cents	per uom	KG
Year	2001	2002	% Change
Jan	889	1047	17.77%
Feb	889	1047	17.77%
Mar	889	1047	17.77%
Apr	920	1022	11.09%
May	920	1022	11.09%
Jun	920	1022	11.09%
Jul	963		-100.00%
Aug	963		-100.00%
Sep	963		-100.00%
Oct	1011		-100.00%
Nov	1011		-100.00%
Dec	1011		-100.00%
Exchange Rate	1.809	Local currency/US \$	

Source: ABARE

### Utilization

ABARE estimates that Australian per capita consumption of pig meat fell three percent in MY 2001/02. ABARE has forecast a three percent increase in consumption for MY 2002/03 to 18.1 kg per annum.

## Trade

### General

Post estimates a 20 percent rise in pig meat exports for CY 2002 to 79,000 MT and forecasts a further increase of five percent in CY 2002 reaching 83,000 MT. According to ABARE, the outbreak of BSE and FMD in Europe and BSE in Japan has caused many consumers to switch from beef to white meats such as pork and poultry. This has increased export demand in countries which Australia exports to directly, but has also increased global demand, effectively reducing global competition from other suppliers in Australia's export markets.

Japan is Australia's second largest export market for pig meat taking 19 percent of total Australian exports. This market is expected to show the greatest increase for CY 2002 and into CY 2003. Year-to-date figures reveal a 33 percent increase in CY 2002. Consumers in Japan are reportedly consuming more pork and less beef as a result of the BSE outbreak in that country.

Singapore is still Australia's largest export market for pig meat taking 54 percent of Australia exports in CY 2001. Year-to-date figures show an 11 percent increase in exports to this market CY 2002.

## **Marketing**

### **General**

The Australian pork industry was traditionally administered by three organizations: The Australian Pork Corporation (APC) ; the Pig Research and Development Corporation (PRDC); and the Pork Council of Australia (PCA).

As of July 1 2001, these three existing organizations were amalgamated into one organization called "Australian Pork Limited" (APL). The responsibilities of APL can be summarized as: enhancing supply chain management, improving the industry's international competitiveness, realizing niche market export opportunities and providing long term strategies. For more information on this subject see [www.pork.gov.au](http://www.pork.gov.au).

## Poultry, Meat, Total

PSD Table						
Country	Australia					
Commodity	Poultry, Meat, Total		(1000 MT)(MIL HEAD)			
	Revised	2001	Preliminary	2002	Forecast	2003
	Old	New	Old	New	Old	New
Market Year Begin		07/2000		07/2001		07/2002
Inventory (Reference)	0	0	0	0	0	0
Slaughter (Reference)	0	0	0	0	0	0
Beginning Stocks	28	12	24	10	16	16
Production	660	627	693	689	0	695
Whole, Imports	0	0	0	0	0	0
Parts, Imports	0	0	0	0	0	0
Intra EC Imports	0	0	0	0	0	0
Other Imports	0	0	0	0	0	0
TOTAL Imports	0	0	0	0	0	0
TOTAL SUPPLY	688	639	717	699	16	711
Whole, Exports	25	21	29	21	0	22
Parts, Exports	0	0	0	0	0	0
Intra EC Exports	0	0	0	0	0	0
Other Exports	0	0	0	0	0	0
TOTAL Exports	25	21	29	21	0	22
Human Consumption	639	608	672	662	0	673
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	639	608	672	662	0	673
TOTAL Use	664	629	701	683	0	695
Ending Stocks	24	10	16	16	0	16
TOTAL DISTRIBUTION	688	639	717	699	0	711
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0

## Production

### General

Post estimates poultry production for MY 2000/01 at 627 TMT, in line with official ABS statistics. Post estimates production to increase 10 percent in MY 2001/02 to 689 TMT, in line with ABS year-to-date data.

Post forecasts poultry meat production to increase only one percent in MY 2002/03 to 695 TMT. This figure is in line

with ABARE forecasts. Post believes that the decrease in feedgrain availability in recent times will constrain significant increases in poultry meat production for the medium term.



## Consumption

### General

ABARE estimates total poultry consumption to remain relatively flat from CY 2002/03 out to 2004/05.

Year	Per Capita Consumption (kg/year)
1990	24.6
1992	25.9
1994	27.9
1996	27.9
1997	28.5
1998	30.5
1999	31.1
2000	31.9
2001	32.5
2002 (p)	32.5
2003 (f)	32.2

Source: Australian Bureau of Statistics/ABARE

**Poultry, Meat, Chicken - 16 wks**

PSD Table						
Country	Australia					
Commodity	Poultry, Meat, Broiler			(1000 MT)(MIL HEAD)		
	Revised	2001	Preliminary	2002	Forecast	2003
	Old	New	Old	New	Old	New
Market Year Begin		07/2000		07/2001		07/2002
Inventory (Reference)	0	0	0	0	0	0
Slaughter (Reference)	0	0	0	0	0	0
Beginning Stocks	20	20	19	22	17	24
Production	589	558	618	616	0	620
Whole, Imports	0	0	0	0	0	0
Parts, Imports	0	0	0	0	0	0
Intra EC Imports	0	0	0	0	0	0
Other Imports	0	0	0	0	0	0
TOTAL Imports	0	0	0	0	0	0
TOTAL SUPPLY	609	578	637	638	17	644
Whole, Exports	21	18	25	18	0	19
Parts, Exports	0	0	0	0	0	0
Intra EC Exports	0	0	0	0	0	0
Other Exports	0	0	0	0	0	0
TOTAL Exports	21	18	25	18	0	19
Human Consumption	569	548	595	600	0	601
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	569	548	595	600	0	601
TOTAL Use	590	566	620	618	0	620
Ending Stocks	19	12	17	20	0	24
TOTAL DISTRIBUTION	609	578	637	638	0	644
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0